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C O N F I D E N T I A L ANKARA 001698

SIPDIS

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TAGS: [ENRG](#) [PREL](#) [TU](#)

SUBJECT: TURKISH NUCLEAR TENDER CANCELED

Classified By: DCM Doug Silliman for reason 1.4 (b,d).

¶1. (U) On November 20, the Turkish Electricity Trading and Contracting Company (TETAS) canceled the September 2008 tender to build and operate Turkey's first nuclear power plant. The cancellation follows a November 10 decision by the Council of State (Danistay) to suspend several articles of the regulation governing the tender, regarding land allocation, determination of offtake prices, and necessary bidder qualifications. Energy Minister Yildiz decided not to appeal the decision and returned the tender documents to TETAS rather than forwarding them to the cabinet, thus allowing for the cancellation to be officially a bureaucratic, not ministerial, decision.

¶2. (SBU) Problematic from the start, the 2008 tender attracted only one bidder: a consortium of Russian Atomstroyexport, Russian Inter RAO UES, and Turkish Park Teknik. Negotiations between the GoT and the consortium raised further problems. The GoT considered the consortium's original offtake tariff offer of EUR 0.216/kWh too high, but it was unclear whether tender specifications allowed consideration of a later, revised offer of EUR 0.1535/kWh. When Yildiz announced, following Russian President Putin's August visit, that the GoT would take a 25 percent stake in the project in return for a lowered price, observers objected that more companies may have bid if these terms had been laid out at the start. The government thus faced the threat of lawsuits from companies if it went ahead with the 25 percent partnership deal, as well as the threat of lawsuits from the opposition if it went ahead with a deal at too high a price. Concern about increased dependency on Russia for energy posed another obstacle. Despite these multiple concerns, canceling the tender was not an easy matter, given the close relations between Russia and Turkey in various sectors. The November 10 Danistay decision apparently gave the government the final excuse it needed to cancel the tender, but it remains to be seen what repercussions will come from the Russians.

¶3. (C) The GoT now plans to move forward on two nuclear plants at the same time: one in Akkuyu, the site of the canceled tender, and one in Sinop. In conversations prior to the cancellation, Ministry of Energy officials have told us any new tenders would have a public-private structure, completely different from the canceled tender. They also assured us they would take into account the comments from international companies on the problems of the September 2008 tender. On November 18, Yildiz told the ambassador he wants the projects to begin in 2010 and may need "to break some rules" to move quickly. When asked by the press about the new tenders, Yildiz said, "let's not call it a 'tender process' but a 'process.'" According to Faruk Demir, an energy advisor close to the government, such comments may allude to a plan whereby the GoT would create a new state nuclear power company that would invite various foreign private companies to take part in joint projects. On November 24, Nilgun Acikalin, deputy general director for energy affairs at the Ministry of Energy, told econ officer and specialist that whether the projects go forward through a tender process or some new public-private structure, the

nuclear tender law will have to be revised significantly,
which will impede the minister's goal of getting the projects
underway in 2010.

JEFFREY

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